



CONSOLIDATED QUARTERLY REPORT OF PEPEES GROUP

for the period of 9 months ended 30 September 2021

16 November 2021

PEPEES GROUP
Consolidated Quarterly Report
for the period of 9 months ended 30 September 2021
(figures in kPLN)

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INTRODUCTION

1. Consolidated Quarterly Report of PEPEES Group for the period of 9 months ended 30 September 2021 is comprised of:

- A. Selected financial data of the PEPEES Group.
- B. Interim Condensed Consolidated Financial Statements of PEPEES Group for the period of 9 months ended 30 September 2021.
- C. Quarterly financial information of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża for the period of 9 months ended 30 September 2021.
- D. Additional information.

2. Period covered by report and comparable data:

Interim Condensed Consolidated Financial Statements

- The Interim Condensed Consolidated Financial Statements of PEPEES Group covers the period of nine months ended 30 September 2021.
- For the data presented in the interim condensed consolidated statement of financial position, comparable financial data was presented as at 31 December 2020 and 30 September 2020.
- For the data presented in the interim condensed consolidated statement of profit or loss and other comprehensive income, comparable financial data for the period from 01 January 2020 to 30 September 2020 was presented.
- For the data presented in the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows, comparable financial data for the period from 01 January 2020 to 30 September 2020 was presented.

Quarterly financial information of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża

- Quarterly financial information of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna in Łomża covers the period of nine months ended 30 September 2021.
- For the data presented in the statement of financial position, comparable financial data was presented as at 31 December 2020 and 30 September 2020.
- For the data presented in the statement of profit or loss and other comprehensive income, comparable financial data for the period from 01 January 2020 to 30 September 2020 was presented.
- For the data presented in the statement of changes in equity and the statement of cash flows, comparable financial data for the period from 01 January 2020 to 30 September 2020 was presented.

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3. Description of organisational names within PEPEES Group

As at 30 September 2021, PEPEES Group was comprised of the following companies:

- Przedsiębiorstwo Przemysłu Spożywczego PEPEES Spółka Akcyjna (public limited company) with its registered office in Łomża – Parent Undertaking;
- Zakłady Przemysłu Ziemniaczanego “LUBLIN” Spółka z ograniczoną odpowiedzialnością (private limited company) with its registered office in Lublin – subsidiary undertaking;
- Pepees Inwestycje Spółka z ograniczoną odpowiedzialnością (private limited company) with its registered office in Łomża – subsidiary undertaking;
- Przedsiębiorstwo Przemysłu Ziemniaczanego “BRONISŁAW” Spółka Akcyjna (public limited company) with its registered office in Bronisław – subsidiary undertaking;
- Gospodarstwo Rolne Ponary Spółka z ograniczoną odpowiedzialnością (private limited company) with its registered office in Łomża – subsidiary undertaking.

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A. SELECTED FINANCIAL DATA OF PEPEES GROUP

Item	SELECTED FINANCIAL DATA	kPLN		kEUR	
	Year	2021	2020	2021	2020
I	Total sales revenue for 3 quarters	158,193	163,656	34,703	36,842
II	Net profit (loss) attributable to shareholders of the Parent Undertaking for 3 quarters	(3,805)	4,443	(835)	1,000
III	Net comprehensive income attributable to shareholders of the Parent Undertaking	(3,798)	4,396	(833)	990
IV	Net cash flow from operating activities for 3 quarters	64,716	44,135	14,197	9,936
V	Net cash flow from investing activities for 3 quarters	682	(15,509)	150	(3,491)
VI	Net cash flow from financing activities for 3 quarters	(70,309)	(62,946)	(15,424)	(14,171)
VII	Net cash flow for 3 quarters	(4,911)	(34,320)	(1,077)	(7,726)
VIII	Total assets as at 30/09/2021 and 31/12/2020	291,252	364,838	62,866	79,058
IX	Equity attributable to the Company' shareholders as at 30/09/2021 and 31/12/2020	170,432	173,769	36,787	37,655
X	Profit (loss) per ordinary share for 3 quarters (value in PLN/EUR)	(0.04)	0.05	(0.01)	0.01
XI	Book value per share as at 30/09/2021 and 31/12/2020 (value in PLN/EUR)	1.79	1.83	0.39	0.40

The figures presented in line: VIII, IX and XI in columns: "2021" and "2020" are given as at 30 September 2021 and 31 December 2020.

The following rates of exchange published by the National Bank of Poland (NBP) were applied for the translation of selected financial data:

- Selected items of the statement of financial position as at 30/09/2021 at an average exchange rate effective as at the balance-sheet date: EUR 1.00 = PLN 4.6329;
- Selected items of the statement of financial position as at 31/12/2020 at an average exchange rate effective as at the balance-sheet date: EUR 1.00 = PLN 4.6148;
- Selected items of the statement of comprehensive income and the statement of cash flows for the period from 01 January 2021 to 30 September 2021 at a rate computed as an arithmetic mean of average exchange rates published by NBP and effective on the last day of each month of the 3 quarters of 2021: EUR 1.00 = PLN 4.5585;
- Selected items of the statement of comprehensive income and the statement of cash flows for the period from 01 January 2020 to 30 September 2020 at a rate computed as an arithmetic mean of average exchange rates published by NBP and effective on the last day of each month of the 3 quarters of 2020: EUR 1.00 = PLN 4.4420.

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Profit (loss) per share

Specification	For period of 9 months ended 30 September 2021	For period of 9 months ended 30 September 2020
Profit (loss) attributable to shareholders of "PEPEES" S.A.	(3,805)	4,443
Weighted average number of shares	95,000,000	95,000,000
Basic net profit (loss) per share (in PLN per share)	(0.04)	0.05
Net profit (loss) attributable to shareholders of "PEPEES" S.A., used for the determination of diluted profit per share	(3,805)	4,443
Weighted average number of ordinary shares for the purpose of diluted profit per share	95,000,000	95,000,000
Diluted net profit (loss) per share (in PLN per share)	(0.04)	0.05
Annualised net profit attributable to shareholders of "PEPEES" S.A.	(1,935)	7,494
Weighted average number of shares	95,000,000	95,000,000
Annualised net profit per share (in PLN per share)	(0.02)	0.08

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**B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
PEPEES GROUP FOR THE PERIOD OF 9 MONTHS ENDED 30
SEPTEMBER 2021**

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS APPROVED BY THE EUROPEAN COMMISSION

presented below and comprised of:

1. Interim condensed consolidated statement of financial position.
2. Interim condensed consolidated statement of profit or loss and of other comprehensive income.
3. Interim condensed consolidated statement of changes in equity.
4. Interim condensed consolidated statement of cash flows.
5. Additional explanatory notes.

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**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF FINANCIAL POSITION**

Item	ASSETS	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
A.	Fixed (long-term) assets	175,536	181,307	197,086
1	Property, plant and equipment	155,747	158,843	175,439
2	Intangible assets	188	499	209
3	Rights to assets	11,241	11,431	11,527
4	Investment property	576	583	586
5	Goodwill	1,365	3,095	3,140
6	Investments in other undertakings	375	625	625
7	Deferred tax assets	6,044	6,231	5,560
B.	Current (short-term) assets	115,716	183,531	116,491
I.	Current assets other than assets classified as held for sale	115,716	165,284	116,491
1	Inventory	51,430	110,198	62,308
2	Biological assets	1,162	338	1,139
3	Trade and other short-term receivables	42,655	27,872	36,320
4	Current income tax receivables	-	1,245	1,483
5	Other financial assets	7,030	7,281	7,450
6	Cash and cash equivalents	13,439	18,350	7,791
II.	Assets held for sale	-	18,247	-
	Total assets	291,252	364,838	313,577

Item	LIABILITIES	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
A.	Equity	173,714	175,422	174,167
I	Equity attributable to the Company's shareholders	170,432	173,769	172,383
1	Share capital	5,700	5,700	5,700
2	Share premium	7,562	7,562	7,562
3	Revaluation capital	31,021	31,014	31,011
4	Retained earnings	126,149	129,493	128,110
II	Non-controlling interests	3,282	1,653	1,784
B.	Liabilities	117,538	189,416	139,410
I.	Long-term liabilities	38,047	39,373	52,268
1	Bank and non-bank loans	9,070	11,134	21,123
2	Liabilities in respect of leased assets	17,037	16,062	16,334
3	Deferred tax liability	6,313	6,662	6,604
4	Liabilities in respect of retirement and similar benefits	3,513	3,317	3,051
5	Subsidies	2,114	2,198	5,156
II.	Short-term liabilities	79,491	150,043	87,142
II a	Short-term liabilities other than related to assets held for sale	79,491	132,561	87,142
1	Trade and other short-term payables	35,596	23,990	34,047
2	Current income tax liabilities	32	76	7
3	Bank and non-bank loans	39,274	104,514	48,882
4	Liabilities in respect of leased assets	4,204	3,616	3,730
5	Liabilities in respect of retirement and similar benefits	385	365	476
II b	Liabilities related to assets held for sale	-	17,482	-
	Total liabilities	291,252	364,838	313,577

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT
OR LOSS AND OF OTHER COMPREHENSIVE INCOME**

Item	Specification	For period of 3 months ended 30 September 2021	For period of 9 months ended 30 September 2021	For period of 3 months ended 30 September 2020	For period of 9 months ended 30 September 2020
I	Sales revenue	55,690	158,193	49,191	163,656
II	Cost of goods sold	(46,336)	(132,468)	(37,405)	(123,410)
III	Gross profit on sales (I-II)	9,354	25,725	11,786	40,246
1	Cost of sales & marketing	(4,641)	(10,984)	(2,946)	(8,139)
2	General and administrative expense	(7,557)	(24,180)	(8,782)	(25,123)
3	Other operating income	(206)	2,213	1,451	2,363
4	Other operating expenses	86	(323)	(285)	(848)
IV	Operating profit (loss)	(2,964)	(7,549)	1,224	8,499
1	Financial expenses	(400)	(2,238)	(694)	(2,697)
2	Financial income	97	117	215	636
3	Profit (loss) on disposal of subsidiary	-	5,029	-	-
V	Profit (loss) before tax	(3,267)	(4,641)	745	6,438
	Income tax	43	39	(263)	(1,971)
VI	Net profit (loss) on continuing operations	(3,224)	(4,602)	482	4,467
	Net profit (loss) on discontinued operations	-	-	-	-
	Net profit (loss), including:	(3,224)	(4,602)	482	4,467
	- attributable to shareholders of the parent undertaking	(2,859)	(3,805)	523	4,443
	- attributable to non-controlling interest	(365)	(797)	(41)	24
VII	Other comprehensive income	-	7	-	(47)
VIII	Total comprehensive income, including	(3,224)	(4,595)	482	4,420
	- attributable to shareholders of the parent undertaking	(2,859)	(3,798)	523	4,396
	- attributable to non-controlling interest	(365)	(797)	(41)	24
IX	Net profit (loss) per ordinary share	(0.03)	(0.04)	0.01	0.05
	- from continuing operations	(0.03)	(0.04)	0.01	0.05
	- from discontinued operations	-	-	-	-
IX	Net diluted profit (loss) per ordinary share	(0.03)	(0.04)	0.01	0.05
	- from continuing operations	(0.03)	(0.04)	0.01	0.05
	- from discontinued operations	-	-	-	-

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Share premium capital	Own shares	Revaluation capital	Retained earnings	Total equity attributable to shareholders of the Parent Undertaking	Non-controlling interests	Total equity
As at 01 January 2020	5,700	7,562	-	31,057	134,454	178,773	1,768	180,541
Changes in 3 quarters of 2020								
Net profit					4,443	4,443	24	4,467
Other comprehensive income				(46)		(46)		(46)
Comprehensive income	-	-	-	(46)	4,443	4,397	24	4,421
Dividend	-		-	-	(11,400)	(11,400)		(11,400)
Other consolidated adjustments					613	613	(8)	605
As at 30 September 2020	5,700	7,562	-	31,011	128,110	172,383	1,784	174,167
Changes in 2020	-							
Net profit	-				6,313	6,313	(107)	6,206
Other comprehensive income	-		-	(43)		(43)		(43)
Comprehensive income	-	-	-	(43)	6,313	6,270	(107)	6,163
Dividend	-	-	-	-	(11,400)	(11,400)		(11,400)
Other consolidated adjustments	-	-	-	-	126	126	(8)	118
As at 31 December 2020	5,700	7,562	-	31,014	129,493	173,769	1,653	175,422
As at 01 January 2021	5,700	7,562	-	31,014	129,493	173,769	1,653	175,422
Changes in 3 quarters of 2021								
Net profit					(3,805)	(3,805)	(797)	(4,602)
Other comprehensive income				7		7		7
Comprehensive income	-	-	-	7	(3,805)	(3,798)	(797)	(4,595)
Dividend					-	-		-
Other consolidated adjustments (loss of control over an entity)					461	461	2,426	2,887
As at 30 September 2021	5,700	7,562	-	31,021	126,149	170,432	3,282	173,714

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method	For period of 3 months ended 30 September 2021	For period of 9 months ended 30 September 2021	For period of 3 months ended 30 September 2020	For period of 9 months ended 30 September 2020
A. Cash flows from operating activities				
I. Profit (loss) before tax	(3,267)	(4,641)	745	6,438
II. Total adjustments	15,616	69,357	4,610	37,697
1. Amortisation and depreciation	4,029	10,741	4,016	11,075
2. Foreign exchange (gains) losses	124	282	(25)	(204)
3. Interest and profit sharing (dividends)	143	946	555	1,905
4. (Profit) loss on investing activities	63	(5,249)	(263)	(582)
5. Change in provisions	28	216	405	52
6. Movements in inventory	6,257	58,768	(18,143)	23,585
7. Change in biological assets	1,507	(824)	1,340	(817)
8. Change in receivables	(2,835)	(11,549)	4,395	(2,969)
9. Change in short-term liabilities (net of bank and non-bank loans)	6,916	14,261	12,827	17,394
10. Change in advance payments	(226)	(607)	1,099	(4,878)
11. Income tax paid	10	(148)	(993)	(6,287)
12. Change in subsidies	(29)	(84)	(158)	(476)
13. Change in interest on non-bank loans and commissions	49	49	(75)	(13)
14. Change in other financial assets	(427)	-	(174)	(174)
15. Redemption of CO2 emission allowances	-	2,494	-	-
16. Other adjustments	7	61	(196)	86
III. Net cash flow from operating activities (I+/-II)	12,349	64,716	5,355	44,135
B. Cash flow from investing activities				
I. Cash inflows	1,437	9,422	3,247	3,692
1. Disposal of intangible assets and property, plant and equipment	701	1,189	3,184	3,621
2. Repayment of non-bank loans	736	6,599	63	71
3. Bond proceeds	-	254	-	-
4. Disposal of shares	-	1,380	-	-
II. Outflows	2,610	8,740	15,249	19,201
1. Acquisition of intangible assets and property, plant and equipment	2,610	6,243	2,915	6,225
2. Acquisition of shares	-	-	934	946
3. Acquisition of property rights	-	2,197	-	630
4. Non-bank loans granted	-	300	-	-
5. Dividends and other payments to shareholders	-	-	11,400	11,400
III. Net cash flow from investing activities (I-II)	(1,173)	682	(12,002)	(15,509)
C. Cash flow from financing activities				
I. Cash inflows	2,308	15,551	16,326	19,690
1. Bank and non-bank loans	2,331	14,045	16,189	19,273
2. Subsidies	(23)	1,506	137	417
II. Outflows	3,562	85,860	6,374	82,636
1. Repayment of bank and non-bank loans	2,286	81,413	5,140	78,483
2. Interest on bank and non-bank loans	494	1,288	400	1,830
3. Payments under lease agreements	782	3,159	834	2,323
III. Net cash flow from financing activities (I-II)	(1,254)	(70,309)	9,952	(62,946)
D. Total net cash flows (A.III+/-B.III+/-C.III)	9,922	(4,911)	3,305	(34,320)
E. Cash at beginning of period	3,517	18,350	4,486	42,111
F. Cash at end of period (E+/- D)	13,439	13,439	7,791	7,791
<i>including restricted cash</i>	-	-	1,500	1,500

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ADDITIONAL EXPLANATORY NOTES

1. General information on Parent Undertaking

Full name:	Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.
Registered office address:	18-402 Łomża, ul. Poznańska 121
Identifier:	REGON (National Official Business Register): 450096365
NIP (tax identification number):	7181005512
Registry authority:	District Court in Białystok, 12th Commercial Division of the National Court Register (KRS)
Registration number:	000038455
Legal form:	<i>Spółka Akcyjna</i> (public limited company)
Organisational form:	Single-site business
Core business acc. to Polish Classification of Economic Activities (PKD):	1062Z Manufacture of starches and starch products
Sector:	food industry
Duration:	indefinite term

Members of Management Board as at 30 September 2021:

Wojciech Faszczewski	President of Management Board
Tomasz Krzysztof Rogala	Member of Management Board

Members of Supervisory Board as at 30 September 2021:

Maciej Kaliński	Chairman of Supervisory Board
Tomasz Nowakowski	Vice Chairman of Supervisory Board
Robert Malinowski	Secretary of Supervisory Board
Krzysztof Stankowski	Member of Supervisory Board
Piotr Marian Taracha	Member of Supervisory Board
Agata Czerniakowska	Member of Supervisory Board

Members of Audit Committee as at 30 September 2021:

Maciej Kaliński	Chairman of Audit Committee
Krzysztof Stankowski	Vice Chairman of Audit Committee
Piotr Marian Taracha	Member of Audit Committee
Robert Malinowski	Member of Audit Committee
Tomasz Nowakowski	Member of Audit Committee.

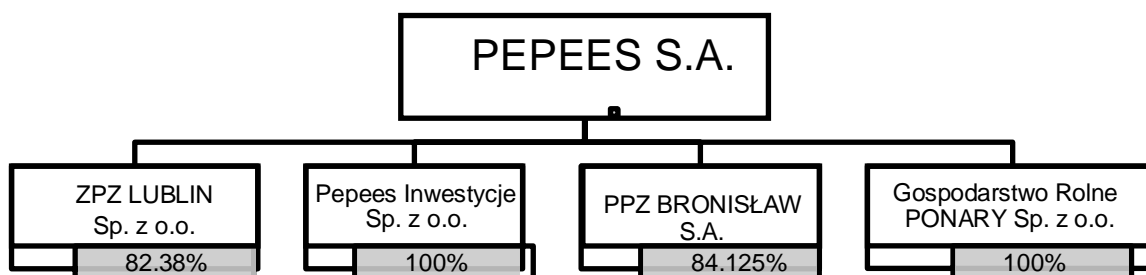
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2. Information on reporting periods

The interim consolidated financial statements cover the period from 1 January 2021 to 30 September 2021, and the comparable financial data and explanatory notes cover the period from 1 January 2020 to 30 September 2020, and for the statement of financial position and the statement of changes in equity, also data and notes as at 31 December 2020.

3. PEPEES Group structure

3.1. PEPEES Group structure as at 30 September 2021



3.2. General information on related parties in PEPEES Group

The following related parties were subject to consolidation in the Consolidated Quarterly Report of PEPEES Group for the period of three quarters ended 30 September 2021 (except for Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A.):

Name	Registered office	Group's Objects	Registry court	Issuer's share in capital (%)	Share in total number of votes (%)
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dehydrated potatoes, fruit and vegetable processing	District Court in Lublin, 11th Commercial Division of National Court Register (KRS)	82.38	82.38
Pepees Inwestycje Sp. z o.o.	Łomża	Purchase and sale of real property on own account	District Court in Białystok, 12th Commercial Division of National Court Register (KRS)	100	100
PPZ BRONISŁAW S.A.	Bronisław	Production of starch and starch products	District Court in Bydgoszcz, 13th Commercial Division of National Court Register (KRS)	84.125	84.125
Gospodarstwo Rolne Ponary Sp. z o.o.	Łomża	Agricultural cultivation together with raising of animals	District Court in Białystok, 12th Commercial Division	100	100

All the subsidiaries were subject to consolidation using the full consolidation method.

The Issuer's Group was changed in the reporting period – as at 30/09/2021 the company CHP Energia is no longer a related party. On 18/03/2021, PEPEES disposed of all its shares held in CHP Energia. The shares were purchased by ORLEN Południe S.A., a subsidiary of PKN ORLEN S.A.

The assets and liabilities of CHP Energia Sp. z o.o. were presented in the consolidated financial statements as at 31/12/2020 in accordance with IFRS 5 as held for sale.

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3.3. Basic financial data on related parties as at 30 September 2021

Specification	PPZ BRONISŁAW S.A.	ZPZ LUBLIN Sp. z o.o.	Gospodarstwo Rolne Ponary Sp. z o.o.	PEPEES Inwestycje Sp. z o.o.
Current assets as at 30/09/2021	15,328	7,670	321	73
Fixed assets as at 30/09/2021	42,774	6,020	21,310	-
Short-term liabilities as at 30/09/2021	27,260	5,688	552	1
Long-term liabilities as at 30/09/2021	16,531	2,271	6,895	-
Sales revenue	37,172	13,601	-	-
Profit or loss on continuing operations	(5,172)	472	73	(10)
Net profit or loss on discontinued operations	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	(5,172)	472	73	(10)

3.4. Basis for Preparation of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (“IFRS”), in particular with the International Accounting Standard No. 34 and IFRS adopted by the EU. As at the date of the approval of these financial statements for publication, taking into account the ongoing process of introducing IFRS in the EU and the business activity conducted by the Group, as regards the accounting principles adopted by the Group, there were no differences between IFRS already in effect and those approved by the EU. IFRS comprise standards and interpretations accepted by the International Accounting Standard Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

These interim condensed consolidated financial statements are presented in kPLN, and all figures included in the tables and descriptions, unless indicated otherwise, are given in kPLN.

These condensed interim financial statements have been prepared on the assumption that the Group would continue as a going concern in the foreseeable future. As at the day of approval of these consolidated financial statements, the Management Board of Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. identified no circumstances implying any threats to the continuation of the Group’s business activity.

The interim condensed consolidated financial statements do not contain all information required for annual consolidated financial statements and they must be analysed together with the consolidated financial statements for the financial year ended 31 December 2020.

4. Approval of interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of the Parent Undertaking on 16 November 2021.

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5. Significant Accounting Principles (Policies)

The accounting principles (policies) applied to the preparation of these interim consolidated financial statements are consistent with those adopted to the Group's annual financial statements drawn up for the year ended 31 December 2020. The Group did not decide to choose the option of early application of any standard, interpretation or amendment which was published but has not yet become effective in line with the regulations of the European Union.

6. New accounting standards and interpretations not applied to these financial statements

The following standards and interpretations have been issued by the International Accounting Standard Board or the International Financial Reporting Interpretations Committee but are not yet in force:

- Amendments to IAS 1 and IAS 8 – the definition of a term “material”. The amendment has not been approved by the European Commission.
- Amendments to IFRS 3 “Business Combinations” – the definition of “a business”. The amendment has not been approved by the European Commission.
- Amendments to IFRS 9, IAS 39 and IFRS 7 – IBOR reform. The amendment has not been approved by the European Commission.
- IFRS 17 “Insurance Contracts”. This standard defines a new approach to the recognition, measurement, presentation and disclosure of insurance contracts.

According to the Group's estimates, the above-mentioned standards, amendments to existing standards and interpretations would not have had major impact on the financial statements if they had been applied by the Group as at the balance-sheet date.

7. Unusual items having considerable impact on assets, liabilities, equity, profit or loss and cash flows

In these financial statements, the item “Profit on disposal of subsidiary” in the amount of PLN 5,029k was recognised, which has a significant impact on the consolidated profit or loss of the Group (for more information see Note 27).

Furthermore, it must be emphasised that the continuing pandemic is still adversely affecting sales volume and margin.

8. Changes in applied accounting principles, correction of errors and presentation

- The Group neither corrected any previous years' errors nor changed in this reporting period any accounting principles adopted previously.

9. Explanatory comments about seasonality or cyclicity of operations

The Group operates in the “potato processing” industry sector. Potatoes are purchased and processed in autumn during a three-month period, whereas products manufactured are sold all year.

10. Estimated values

In the reporting period, the Group did not test fixed assets for impairment, as there were no indications that such impairment of assets occurred.

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Write-downs of receivables were revalued to reflect the risk of customers' default in payment.

Provisions for retirement benefits and service anniversary awards were created based on actuarial calculations as at 30/06/2021.

Provision for unused annual leave was revalued based on expected employee salaries along with payroll surcharges payable by the employer for unused annual leaves as at 30/09/2021.

The Group recognises deferred tax assets based on the assumption that a tax profit allowing for the utilisation of such assets will be obtained in the future.

The Group verifies, on an annual basis, assumed periods of useful life of fixed assets and intangible assets. The last verification was made as at 31 December 2020.

The parent company carried out a sensitivity analysis covering assets held by it, including the goodwill of each subsidiary whose assets were tested for impairment as at 31/12/2020. The parent company will conduct new impairment tests as at 31/12/2021.

11. Acquisition and disposal of fixed assets

In the period of three quarters of 2021, the Group purchased fixed assets in the amount of PLN 6,243k. This amount was associated mainly with the retrofit of manufacturing plant and machinery.

The amount of fixed assets sold totalled PLN 1,189k.

12. Significant commitments for purchase of fixed assets

No loan agreements with banks were made for the purchase of fixed assets in the period of three quarters of 2021.

13. Inventory

INVENTORY	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
a) materials	7,144	3,875	7,202
b) semi-finished products and work in progress	605	799	4,393
c) finished products	39,248	100,068	45,053
d) goods	4,742	5,760	6,066
Gross value of inventory	51,739	110,502	62,714
Write-downs	(309)	(304)	(406)
Net value of inventory	51,430	110,198	62,308

The value of inventory recognised as cost in the reporting period totalled PLN 129,794k (Q3 2020: PLN 119,609k).

14. Biological assets

"PEPEES" S.A. has leased a farm since March 2014 and new land since March 2018 on which annual plants were sown. Cost relating to the purchase of seeds and cultivation amounted as at the balance-sheet date to PLN 4,889k, compared to revenue from agricultural activities totalling PLN 2,902k. The fair value of inventory is equal to PLN 522k, with the value of biological assets less the costs of sales totalling approx. PLN 1,162k. Biological assets were disclosed in the financial statements in fair value.

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15. Trade and other short-term receivables

TRADE AND OTHER SHORT-TERM RECEIVABLES	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
Trade receivables	30,914	19,161	25,948
Other receivables	3,366	7,378	3,754
Advances	8,375	1,333	6,618
Total	42,655	27,872	36,320

(GROSS) TRADE RECEIVABLES – WITH MATURITY OTHER THAN BALANCE-SHEET DATE	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
a) up to 1 month	15,644	10,042	19,443
b) between 1 month and 3 months	10,327	3,037	1,744
c) between 3 months and 6 months	840	-	2,531
d) between 6 months and 1 year	-	136	-
e) above 1 year	-	-	132
f) overdue receivables	4,869	6,607	3,640
Total (gross) trade receivables	31,680	19,822	27,490
- write-downs of trade receivables	(766)	(661)	(1,542)
Total (net) trade receivables	30,914	19,161	25,948

The overdue receivables which were not written down include receivables from debtors with whom the Group has been collaborating for several years and which, based on the assessment of their financial position and business outlook, are referred to as doubtful debts. The period during which such receivables are past due is between several days and three months. There are no receivables which would be more than 180 days past due and which would not be written down.

16. Trade and other short-term payables

TRADE AND OTHER SHORT-TERM PAYABLES	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
- trade payables maturing:	26,916	14,609	22,828
- other short-term payables	5,561	5,609	7,180
- provisions for other payables and other debts	3,119	3,772	4,039
Total trade payables, other payables and provisions for payables	35,596	23,990	34,047

PAYABLES	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
- trade payables maturing:	26,916	14,609	22,828
- up to 12 months	26,916	14,609	22,828
- overdue above 180 days	-	-	-

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17. Litigation settlements

As at the date of preparation of these financial statements, there are unsettled lawsuits brought by an investment fund company EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, based in Warsaw, against “PEPEES” S.A., in which the claimant:

- Requested that two resolutions on the appointment of Supervisory Board (SB) members, adopted by the General Meeting on 11 May 2018, be repealed or declared invalid and that the resolution on the distribution of 2017 profit be repealed. By the 26 October 2018 judgement, the Regional Court ruled that the resolutions on the appointment of two SB members should be declared invalid and dismissed the action in all other respects. Both parties appealed against the judgement. The Appellate Court in Białystok dismissed both appeals. EPSILON filed a cassation (last resort) appeal against that decision of the Appellate Court, which was considered by the Supreme Court on 21/11/2020;
- Requested that the court declare the invalidity of Resolutions Nos. 24-29, adopted by the Ordinary General Meeting on 28/06/2019, including Resolution No. 28 on amending the Articles of Association and granting the Company’s Management Board authority to increase the share capital of the Company within the limits of the authorised share capital and giving the Management Board the permission to exclude (if necessary) the subscription rights of the existing shareholders of the Company, in full or in part, with the consent of the Company’s Supervisory Board. Regional Court decided to stay the proceedings until the proceedings instituted by PEPEES against EPSILON to declare the forfeiture of voting rights have been closed by the non-appealable judgement;
- Requested that two resolutions on granting a vote of approval, adopted by the General Meeting on 21/04/2020, be repealed or declared invalid. The proceedings are pending before a trial court. Regional Court decided to stay the proceedings until the proceedings instituted by PEPEES against EPSILON to declare the forfeiture of voting rights have been closed by the non-appealable judgement;
- Requested that the following resolutions of the Ordinary General Meeting be declared invalid, or repealed (if necessary): Resolution No. 4 on the consideration and approval of the Company’s financial statements for the period from 01/01/2020 to 21/12/2020, Resolution No. 9 on the allocation of the net profit made by Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. for the financial year 2020, Resolution No. 10 on granting the President of the Company’s Management Board a vote of approval for discharge of their duties for the financial year 2020, adopted by the General Meeting on 29 June 2021. The statement of claim was filed with District Court on 28 July 2021. The challenged resolutions were published in full in Current Report No. 8/2021.

In all other respects, there are no other significant pending court proceedings, proceedings before a proper arbitration authority or public administration authority relating to liabilities and debts of the Issuer or its subsidiaries.

There are several pending legal actions against the Group’s debtors for trade settlements. All the debts which are claimed in court proceedings have been written down in full.

18. Outstanding bank and non-bank loans

The below table shows bank loans as at the balance-sheet date which are repaid before maturity. Intra-Group loans have been excluded from the financial statements.

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Current and non-current liabilities

Item	Type of loan	Borrower	Lending bank	Contractual loan sum	Outstanding loan sum	Repayment date
1	Overdraft facility	PEPEES S.A.	Santander Bank Polska S.A.	4,000	0	31/08/2022
2	Revolving loan	PEPEES S.A.	Santander Bank Polska S.A.	16,500	3,625	31/08/2022
3	Working capital loan	PEPEES S.A.	Santander Bank Polska S.A.	17,000	9,327	31/08/2022
4	Overdraft facility	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	0	31/08/2022
5	Revolving loan	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	16,500	3,625	31/08/2022
6	Working capital loan for purchase of potatoes	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	17,000	4,250	31/08/2022
7	Investment loan for construction of starch drying plant, unloading station and water treatment plant	PEPEES S.A.	BNP Paribas Bank Polska S.A.	9,822	577	25/02/2022
8	Investment loan for financing and refinancing the acquisition of 100% shares in the company Gospodarstwo Rolne Ponary Sp. z o.o.	PEPEES S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	10,530	5,641	30/06/2025
9	Overdraft facility	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	2,000	58	31/08/2022
10	Revolving loan	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	4,000	1,338	31/08/2022
11	Working capital loan for purchase of potatoes	ZPZ Lublin Sp. z o.o.	Santander Bank Polska S.A.	2,000	540	31/08/2022
12	Overdraft facility	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	2,000	0	31/08/2022
13	Revolving loan	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	4,000	1,127	31/08/2022
14	Working capital loan for purchase of potatoes	ZPZ Lublin Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.	2,000	616	31/08/2022
15	Overdraft facility	Bronisław S.A.	Santander Bank Polska S.A.	700	0	31/08/2022
16	Revolving loan	Bronisław S.A.	Santander Bank Polska S.A.	7,300	4,233	31/08/2022
17	Working capital loan	Bronisław S.A.	Santander Bank Polska S.A.	9,000	2,124	31/08/2022
18	Investment loan	Bronisław S.A.	Santander Bank Polska S.A.	800	27	30/11/2021
19	Overdraft facility	Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	700	0	31/08/2022
20	Revolving loan	Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	8,300	2,596	31/08/2022
21	Working capital loan	Bronisław S.A.	Powszechna Kasa Oszczędności Bank Polski S.A.	8,000	2,768	31/08/2022
22	Investment loan	Bronisław S.A.	BOŚ Bank	8,456	5,872	31/12/2027
Total			PLN	154,608	48,344	

In this reporting period, no provision of loan agreements was breached. All loans were repaid according to schedules contained in the agreements.

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19. Related party transactions

19.1 Issuer's transactions with subsidiaries

a) Revenue from sale of products and goods

Type of revenue	For period of 3 months ended 30 September 2021	For period of 9 months ended 30 September 2021	For period of 3 months ended 30 September 2020	For period of 9 months ended 30 September 2020
Revenue from the sale of products to subsidiary undertakings	168	695	145	1,055
Revenues from the sale of goods and materials to subsidiary undertakings	564	564	1,383	1,383
Revenue from the sale of services to subsidiary undertakings	79	261	117	348
Revenue from the sale of fixed assets to subsidiary undertakings	190	190	-	-
Total revenue from related parties	1,001	1,710	1,645	2,786

The selling price is fixed on a cost-plus-basis or according to price lists applicable to entities which are not related parties.

b) Purchase of goods and services

Type of purchase	For period of 3 months ended 30 September 2021	For period of 9 months ended 30 September 2021	For period of 3 months ended 30 September 2020	For period of 9 months ended 30 September 2020
Purchase of products from subsidiary undertakings	713	5,539	1,467	8,642
Purchase of goods from subsidiary undertakings	-	-	-	-
Purchase of services from subsidiary undertakings	12	53	38	117
Purchase of fixed assets from subsidiary undertakings	-	-	-	-
Total purchases from related parties	725	5,592	1,505	8,759

c) Other transactions

Specification	For period of 3 months ended 30 September 2021	For period of 9 months ended 30 September 2021	For period of 3 months ended 30 September 2020	For period of 9 months ended 30 September 2020
Interest on loans granted	37	71	10	126
Charges for sureties provided to other entities	31	129	87	268
Charges for sureties provided by other entities	39	118	39	118
Total	107	318	136	512

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d) Balance of accounts receivable and payable as at the balance-sheet date resulting from the sale/purchase of goods/services

Accounts receivable from and accounts payable to related parties	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
Receivables - ZPZ "LUBLIN" Sp. z o.o.	-	2,659	-
Receivables - PPZ "BRONISŁAW" S.A.	1,997		1,872
Receivables - CHP Energia (as at 31/12/2020 presented as assets held for sale, whereas as at 30/09/2021 accounts receivable and payable were not included in the summary because the company is no longer a subsidiary undertaking)	-	1,161	2,157
Advances - CHP Energia Sp. z o.o. (as at 31/12/2020 presented as assets held for sale, whereas as at 30/09/2021 accounts receivable and payable were not included in the summary because the company is no longer a subsidiary undertaking)	-	1,044	925
Advances - PPZ Bronisław S.A.	571	-	-
Receivables – GR Ponary Sp. z o.o.	1	1	1
Receivables – Pepees Inwestycje Sp. z o.o.	1	8	7
Payables - ZPZ "LUBLIN" Sp. z o.o.	261	181	257
Payables - PPZ "BRONISŁAW" S.A.	15	6	11
Payables - CHP Energia (as at 31/12/2020 presented as liabilities related to assets held for sale, whereas as at 30/09/2021 accounts receivable and payable were not included in the summary because the company is no longer a subsidiary undertaking)	-	13	60
Payables - GR PONARY Sp. z o.o.		1	
Balance of accounts receivable from and accounts payable to related parties	2,294	4,672	4,634

e) Balance of accounts receivable and payable in respect of loans

Loans granted to related parties	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
PPZ "BRONISŁAW" S.A.	3,300	-	1,200
CHP Energia Sp. z o.o. (as at 31/12/2020 presented as assets held for sale, whereas as at 30/09/2021 loans were not included in the summary because the company is no longer a subsidiary undertaking)	-	4,932	4,896
GR PONARY Sp. z o.o.	550	550	552
Pepees Inwestycje Sp. z o.o.	-	145	
Non-bank loans granted	3,850	5,627	6,648
Write-downs of loans granted to CHP	-	(12)	(2,268)
Balance of accounts receivable from and accounts payable to related parties	3,850	5,615	4,380

19.2 Issuer's transactions with shareholders

In the reporting period, there were no transactions between the Parent Undertaking and shareholders.

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19.3 Issuer's transactions with key management and supervisory personnel

a) Benefits for key management personnel (Management Board Members) and members of the Supervisory Board

Specification	For the period of 9 months ended 30 September 2021	For the period of 9 months ended 30 September 2020
Current employee benefits	1,710	1,649
Post-employment benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	1,710	1,649

b) Transactions with members of key personnel and members of their families

In the reporting period, the Company did not conclude any transaction with the members of key personnel and members of their families.

20. Changes in estimated values

a) Write-downs of receivables

CHANGE IN WRITE-DOWNS OF SHORT-TERM RECEIVABLES	For period of 9 months ended 30 September 2021	For period of 12 months ended 31 December 2020	For period of 9 months ended 30 September 2020
As at the beginning of the period	797	2,028	2,028
a) increases (in respect of)	390	318	318
- provisions created for doubtful trade receivables	245	318	318
- provisions created for receivables claimed at court	145	-	-
b) decreases (in respect of)	288	1,549	649
- reversal of provisions due to payment	138	130	105
- utilisation due to remission and disposal of debts	-	551	544
- reversal of provisions for receivables of CHP Energia due to revaluation to recoverable amount – assets classified as held for sale	-	868	-
- cancellation	150	-	-
Write-downs at the end of the period, including:	899	797	1,697

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b) Write-downs of inventory

CHANGE IN WRITE-DOWNS OF INVENTORY	For period of 9 months ended 30 September 2021	For period of 12 months ended 31 December 2020	For period of 9 months ended 30 September 2020
As at the beginning of the period	304	521	521
a) increases (in respect of)	464	1,109	826
- write-downs to net realisable value	464	1,109	826
- impairment loss	-	-	-
b) decreases (in respect of)	459	1,326	941
- utilisation	-	-	-
- reversal of write-downs	459	1,326	941
Write-downs of inventory at the end of the period	309	304	406

c) Liabilities in respect of retirement and similar benefits

CHANGE IN LIABILITIES IN RESPECT OF RETIREMENT AND SIMILAR BENEFITS (BY TYPE)	For period of 9 months ended 30 September 2021	For period of 12 months ended 31 December 2020	For period of 9 months ended 30 September 2020
a) as at the beginning of the period	3,682	3,195	3,195
- retirement severance payment	729	600	600
- service anniversary awards	2,953	2,595	2,595
b) increase (in respect of)	397	837	407
- retirement severance payment	13	138	77
- service anniversary awards	384	699	330
c) draw (in respect of)	148	329	76
- retirement severance payment	12	9	0
- service anniversary awards	136	320	76
d) reversal (in respect of)	33	21	0
- retirement severance payment	11	-	0
- service anniversary awards	22	21	0
d) balance at the end of the period	3,898	3,682	3,527
- retirement severance payment	719	729	678
- service anniversary awards	3,179	2,953	2,849

21. Short-term provisions

CHANGE IN SHORT-TERM PROVISIONS (BY TYPE)	For period of 9 months ended 30 September 2021	For period of 12 months ended 31 December 2020	For period of 9 months ended 30 September 2020
a) as at the beginning of the period	3,772	4,319	4,319
- subsidies on property, plant and equipment	98	622	622
- provisions for services rendered by business partners	26	23	23
- environmental charge	117	83	83
- provisions for annual leave payments	715	702	702

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CHANGE IN SHORT-TERM PROVISIONS (BY TYPE)	For period of 9 months ended 30 September 2021	For period of 12 months ended 31 December 2020	For period of 9 months ended 30 September 2020
- right to gas emission	2,283	1,434	1,434
- bonuses for Management Board and employees	533	1,455	1,455
b) increase (in respect of)	2,524	2,510	1,202
- provision for use of CO2 emission allowances	1,744	1,682	656
- environmental charge	56	102	-
- provisions for annual leave payments	254	438	324
- provisions for services rendered by business partners	26	26	2
- bonus for Management Board and employees	444	262	220
c) draw (in respect of)	3,177	1,556	1,482
- environmental charge	124	68	17
- provisions for annual leave payments	405	296	296
- provision for use of CO2 emission allowances	2,080	833	833
- provision for services rendered by business partners	35	23	-
- bonuses for Management Board and employees	533	336	336
d) reversal (in respect of)	-	848	-
- bonuses for Management Board and employees	-	848	-
e) reclassification to liabilities associated with assets held for sale	-	653	-
- subsidies on property, plant and equipment	-	524	-
- provisions for annual leave payments	-	129	-
e) balance at the end of the period	3,119	3,772	4,039
- subsidies on property, plant and equipment	98	98	622
- provision for use of CO2 emission allowances	1,947	2,283	1,257
- environmental charge	49	117	66
- provisions for annual leave payments	564	715	730
- bonuses for Management Board and employees	444	533	1,339
- provisions for services rendered by business partners	17	26	25

22. Deferred income tax

DEFERRED TAX LIABILITIES	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
Difference between the carrying amount and tax value of property, plant and equipment	5,634	5,925	6,002
Measurement of investment	662	662	625
Unrealised FX differences	5	1	1
Interest due and payable, but not received	-	74	(35)
Other	12	-	11
Total deferred tax liabilities	6,313	6,662	6,604

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DEFERRED INCOME TAX ASSETS	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
Unpaid remuneration	145	177	196
Unpaid liabilities	-	-	5
Provision for unused annual leave	111	136	114
Retirement benefits and service anniversary awards	738	700	670
Unrealised FX differences	38	36	25
Write-downs of inventory	59	139	158
Write-downs of shares	18	886	565
Liabilities in respect of leased assets	1,146	1,218	1,467
Consolidated adjustments – retained earnings	(14)	2	(535)
Provision for bonuses for Management Board and employees	84	102	254
Redemption of CO2 emission allowances	370	434	239
Valuation of property and assets	2,348	2,389	2,392
Tax loss	988	-	-
Other	13	12	10
Total	6,044	6,231	5,560

23. Contingent assets and liabilities

CHANGE IN BIOLOGICAL ASSETS (BY TYPE)	For period of 9 months ended 30 September 2021	For period of 12 months ended 31 December 2020	For period of 9 months ended 30 September 2020
a) as at the beginning of the period, including	15,795	15,795	15,795
- surety granted by GR PONARY for investment loan	15,795	15,795	15,795
b) increase (in respect of)	-	-	-
c) draw (in respect of)	-	-	-
d) balance at the end of the period, including	15,795	15,795	15,795
- surety granted by GR PONARY for investment loan	15,795	15,795	15,795

CHANGE IN CONTINGENT LIABILITIES (BY TYPE)	For period of 9 months ended 30 September 2021	For period of 12 months ended 31 December 2020	For period of 9 months ended 30 September 2020
a) as at the beginning of the period, including	32,481	33,781	33,781
- liabilities on account of non-competition agreements	1,563	1,563	1,563
- sureties for loans granted to related companies	30,918	32,218	32,218
b) increase (in respect of)	29	-	-
- liabilities on account of non-competition agreements	29	-	-
c) reversal	18,234	1,300	-
- surety for loan	18,234	1,300	-
d) balance at the end of the period, including	14,276	32,481	33,781
- liabilities on account of non-competition agreements	1,592	1,563	1,563
- sureties for loans granted to related companies	12,684	30,918	32,218

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24. Issue, redemption and repayment of equity and non-equity securities

In the reporting period, neither equity nor non-equity securities were issued, redeemed or repaid.

25. Information on dividend paid (or declared), in total and per share, broken down into ordinary and preference shares

In the reporting period, the Group Companies did not pay out any dividends. The Management Boards of the companies did not declare, nor did they propose, any dividends from the distribution of 2021 profits.

26. Segment reporting

26.1. Information on products and services

As already mentioned, there are four segments in the PEPEES Group, namely: “Potato processing”, “generation of electricity”, “agricultural cultivation together with raising of animals” and “Purchase and sale of real property on own account”. After the sale of shares in CHP Energia, falling within the “generation of electricity” segment, the Group’s operations are focused on the remaining three segments.

The PEPEES Group’s core business is “potato processing”. For this segment, the scope of manufacturing includes the following products:

- Potato starch, which is used in households and in the food, pharmaceutical, paper-making and textile industry;
- A wide range of several glucose products, which are used by the food, confectionery and pharmaceutical industry;
- Maltodextrin, which is an essential ingredient of powdered products (ice creams, sauces, soups, fruit extracts, flavour toppings) and vitamin and mineral nutrients for children and athletes;
- Protein obtained from potato cell sap through coagulation, separation and drying; which is a valuable component of compound feedingstuffs for animals and an excellent substitute for animal protein;
- A wide range of starch syrups used in the confectionery and bakery industry;
- Potato grits, potato flakes, cubed potatoes and dumplings; products used in the food industry;

Other types of operations include:

- Works and services;
- Sale of certain goods and materials;
- Growing and selling annual plants;
- Purchase and sale of real property on own account (Pepees Inwestycje Sp. z o.o.).

All assets and liabilities of Gospodarstwo Rolne Ponary Sp. z o.o. fall within the ‘agricultural cultivation together with raising of animals’ segment.

Due to the fact that Ponary did not generate any sales revenue within the period of 9 months of 2021, the ‘agricultural cultivation together with raising of animals’ segment was not presented in revenue and profit/loss for respective segments. Given the value of land held by Ponary, the third segment was disclosed in these financial statements solely for the purpose of the presentation of its assets and liabilities.

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26.2 Segment revenue and profit/loss

Specification	Revenue		Profit	
	For period of 9 months ended 30 September 2021	For period of 9 months ended 30 September 2020	For period of 9 months ended 30 September 2021	For period of 9 months ended 30 September 2020
Potato processing	157,052	159,113	(9,255)	8,005
- including among segments	8	8		
Generation of electricity	1,264	5,714	(184)	(1,021)
- including among segments	115	1,163		
Purchase and sale of real property on own account	-	-	-	
Total sales revenue	158,193	163,656	(9,439)	6,984
Other operating income			2,213	2,363
Other operating expenses			(323)	(848)
Profit (loss) on disposal of subsidiary			5,029	-
Financial income			117	636
Financial expenses			(2,238)	(2,697)
Profit (loss) before tax			(4,641)	6,438

26.3 Segment assets and liabilities

Segment assets	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
Potato processing	271,612	326,845	281,365
Generation of electricity (discontinued operations – in 2020, <i>assets held for sale</i>)	-	18,247	12,655
Agricultural cultivation together with raising of animals	19,585	19,511	19,488
Purchase and sale of real property on own account	55	235	69
Total segment assets	291,252	364,838	313,577

Segment liabilities	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
Potato processing	117,538	154,452	120,568
Generation of electricity (discontinued operations – in 2020, <i>liabilities related to assets held for sale</i>)	-	17,482	18,842
Agricultural cultivation together with raising of animals	-	-	-
Purchase and sale of real property on own account	-	-	-
Total segment liabilities	117,538	171,934	139,410

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26.4 Other information on segments

Segment	Amortisation and depreciation		Increase in fixed assets	
	For period of 9 months ended 30 September 2021	For period of 9 months ended 30 September 2020	For period of 9 months ended 30 September 2021	For period of 9 months ended 30 September 2020
Potato processing	10,508	9,989	6,243	6,213
Generation of electricity	233	1,086	-	12
Total continuing operations	10,741	11,075	6,243	6,225

26.5 Revenue broken down into products

Name of product	For period of 3 months ended 30 September 2021	For period of 9 months ended 30 September 2021	For period of 3 months ended 30 September 2020	For period of 9 months ended 30 September 2020
Starch	36,848	94,830	28,092	88,491
Protein	2,497	7,913	2,036	9,253
Glucose	4,187	10,883	2,326	8,049
Maltodextrin	5,032	14,615	5,701	17,608
Starch syrups	1,522	4,166	1,401	3,968
Dehydrated potatoes (grits, flakes, cubed potatoes)	5,179	13,361	4,613	13,635
Animal feedingstuffs and fertilisers	-	-	107	257
Electricity	-	188	730	2,756
Property rights (electricity and heat energy)	-	397	533	1,900
Goods and materials	101	10,994	3,186	16,762
Services	324	846	466	977
Total	55,690	158,193	49,191	163,656

26.6 Sales revenue by geographical region

Specification	For period of 3 months ended 30 September 2021	For period of 9 months ended 30 September 2021	For period of 3 months ended 30 September 2020	For period of 9 months ended 30 September 2020
Poland, including	32,857	101,435	32,167	115,803
Starch	18,752	52,426	15,772	55,526
Protein	1,588	5,189	1,470	5,306
Glucose	3,510	8,833	2,170	7,072
Maltodextrin	3,490	9,984	4,686	14,109
Starch syrups	1,522	4,166	1,401	3,968
Dehydrated potatoes (grits, flakes, cubed potatoes)	4,271	11,076	3,749	12,039
Animal feedingstuffs	-	-	107	257
Electricity	-	188	730	2,756
Property rights (electricity and heat energy)	-	397	533	1,900
Goods and materials	(600)	8,330	1,083	11,893
Services	324	846	466	977

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Specification	For period of 3 months ended 30 September 2021	For period of 9 months ended 30 September 2021	For period of 3 months ended 30 September 2020	For period of 9 months ended 30 September 2020
EU countries – intra-Community supply of goods, including:	5,731	12,813	2,705	10,001
Starch	1,782	4,914	1,357	4,389
Protein	216	1,073	41	1,242
Maltodextrin	949	2,556	910	3,208
Glucose	602	954	144	674
Dehydrated potatoes (grits, flakes, cubed potatoes)	88	937	191	426
Goods	2,094	2,379	62	62
Other countries – export	17,102	43,945	14,319	37,852
Starch	16,314	37,490	10,963	28,576
Protein	693	1,651	525	2,705
Glucose	75	1,096	12	303
Maltodextrin	593	2,075	105	291
Dehydrated potatoes (grits, flakes, cubed potatoes)	820	1,348	673	1,170
Goods	(1,393)	285	2,041	4,807
Total	55,690	158,193	49,191	163,656

26.7 Information on key clients

None of the Group's customers generates more sales revenue than 10% of its total revenue. However, as regards respective product groups, there are customers whose share in the sales of a given product is above 10%. Namely:

- Above 31% of maltodextrin was sold to two business partners from Poland (18.4% and 12.6% respectively);
- Above 31% of protein was sold to two business partners from Poland (18.7% and 13.0% respectively).

27. Disposal of operations

27.1 Payments received

In Q1 2021, the PEPEES Group disposed of the "Generation of electricity" operations, which was carried on in whole by a subsidiary undertaking CHP Energia Sp. z o.o.

On 18/03/2021, a payment in cash was received in the amount of PLN 1,403k for disposed shares.

Due to the fact that reporting periods are closed on a monthly basis, items were posted as at the last day of the month preceding the disposal, i.e. as at 28/02/2021. The data could not have been recorded as at the end of the month of disposal, as there were significant changes introduced by the new investor.

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27.2 Analysis of CHP Energia's assets and liabilities over which control was lost

(by liquidity)	/in kPLN/	
	28/02/2021	31/12/2020
Current assets	2,120	2,516
Cash and cash equivalents	24	77
Current receivables	730	690
Inventory	1,366	1,749
Fixed assets	15,497	15,730
Property, plant and equipment	15,497	15,730
Current liabilities	17,067	14,462
Trade and other payables	7,566	5,925
Bank and non-bank loans	9,501	8,537
Long-term liabilities	8,249	11,285
Bank and non-bank loans	8,249	8,486
Other long-term liabilities		2,799
Disposed net assets	(7,699)	(7,501)
Disposed net assets attributable to the parent undertaking (70.15%)	(5,401)	(5,262)

27.3 Profit (loss) on disposal of subsidiary

	18/03/2021
Payment received	1,403
Less disposed net assets attributable to the parent undertaking	(5,401)
Less goodwill as at the date of loss of control	1,775
Profit on sales	5,029

27.4 Net cash proceeds from disposal

	18/03/2021
Payments received in cash	1,403
Disposed cash balance	23
Net receipts	1,380

28. For financial instruments measured at fair value – information about changes to manner of (method employed for) determination of such fair value

In the period of 9 months ended 30 September 2021, the Group did not change the rules applied to determine the fair value of financial instruments. The same measurement rules and methods which were applied to the consolidated financial statements of the Group prepared for the year ended 31 December 2020 were used.

29. Information about change in classification of financial assets resulting from change in purpose or utilisation of such assets

In the presented period, the classification of financial assets was not altered by reason of changes to the purpose or utilisation thereof.

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30. Information about changes in economic situation and conditions for running business activity which have considerable impact on fair value of entity's financial assets and financial liabilities, regardless of whether such assets and liabilities are recognised at fair value or at adjusted purchase price (production cost)

Due to the outbreak of the coronavirus epidemic in Poland, the Management Board took immediate actions designed to reduce a possible risk to the health and safety of employees and for business continuity. Appropriate occupational health and safety procedures were implemented in compliance with the guidelines of the Ministry of Health and proper production and supply continuity plans were put into operation. Apart from ensuring personnel safety, which is still the top priority, all actions are concentrated on being as flexible as possible in responding to changing circumstances and on activities designed to minimise the noticeable impact of the epidemic on the business, including to maintain revenue levels and strictly control costs at the same time.

The Group's aim is still to achieve the maximum return on investment rate, with the investment risk being maintained at a moderate level. The PEPEES Group expects parallel activities to foster growth by boosting the effectiveness of the Group companies' operations and minimising the risks which they are exposed to, as well as performing further investing activity.

The current state of epidemic caused by the spread of COVID-19 and actions taken in response to it by government administrations both in Poland and other countries have a negative bearing on the Group's growth. The year 2021 will be marked by actions designed to combat the effects of the pandemic. All Group companies monitor, on a day-to-day basis, recent developments concerning COVID-19 both in Poland and all over the world, verifying all information in terms of its impact on the Group's business and taking emergency actions aimed at minimising the consequences arising from the aforesaid extraordinary circumstances.

31. Other information that might have significant bearing on assessment of Group's assets, financial position and performance

In the presented period, all events and information affecting the assets and financial standing were disclosed in these financial statements. Apart from the ongoing pandemic, which has an adverse effect on the performance of respective Group companies, and the disposal of a subsidiary CHP Energia, no other information that could materially impact the assessment of the assets, financial standing and performance of the Group came into the Group's possession.

32. Important events after balance-sheet date

No other events that would have to be disclosed in these interim condensed financial statements occurred after the balance-sheet date.

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C. QUARTERLY FINANCIAL INFORMATION OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO “PEPEES” SPÓŁKA AKCYJNA FOR THE PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2021

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS APPROVED BY THE EUROPEAN COMMISSION

presented below and comprised of:

1. Statement of financial position.
2. Statement of profit or loss and of other comprehensive income.
3. Statement of changes in equity.
4. Statement of cash flows.
5. Additional explanatory notes.

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STATEMENT OF FINANCIAL POSITION

	ASSETS	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
A	Fixed (long-term) assets	134,752	142,587	147,491
1.	Property, plant and equipment	91,469	98,004	99,506
2.	Intangible assets	188	499	208
3.	Rights to assets	15,204	15,844	16,062
4.	Investment property	376	383	386
5.	Investments in subsidiary undertakings	23,586	23,586	26,632
6.	Investments in other undertakings	375	625	625
7.	Deferred tax assets	3,554	3,646	4,072
B	Current (short-term) assets	100,025	126,203	94,066
I	Current assets other than assets classified as held for sale	100,025	116,564	94,066
1.	Inventory	41,322	71,924	45,485
2.	Biological assets	1,162	338	1,139
3.	Trade and other short-term receivables	37,271	23,602	30,120
4.	Current income tax receivables	-	1,245	1,483
5.	Other financial assets	10,880	7,976	12,125
6.	Cash and cash equivalents	9,390	11,479	3,714
II	Assets held for sale	-	9,639	-
	Total assets	234,777	268,790	241,557

	LIABILITIES	As at 30 September 2021	As at 31 December 2020	As at 30 September 2020
A	Equity	153,863	158,530	156,228
1.	Share capital	5,700	5,700	5,700
2.	Share premium	7,562	7,562	7,562
3.	Revaluation capital	30,501	30,494	30,491
4.	Retained earnings	110,100	114,774	112,475
B	Liabilities	80,914	110,260	85,329
I	Long-term liabilities	27,243	29,734	30,681
1.	Bank and non-bank loans	4,137	5,496	6,218
2.	Liabilities in respect of leased assets	12,099	13,036	13,354
3.	Deferred tax liability	6,137	6,486	6,515
4.	Liabilities in respect of retirement and similar benefits	2,921	2,693	2,547
5.	Subsidies	1,949	2,023	2,047
II	Short-term liabilities	53,671	80,526	54,648
IIa	Short-term liabilities other than related to assets held for sale	53,671	80,525	54,648
1.	Trade and other short-term payables	27,160	11,146	21,958
2.	Bank and non-bank loans	22,908	65,889	29,137
3.	Liabilities in respect of leased assets	3,341	3,237	3,300
4.	Liabilities in respect of retirement and similar benefits	262	253	253
IIb	Liabilities related to assets held for sale	-	1	-
	Total liabilities	234,777	268,790	241,557

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STATEMENT OF PROFIT OR LOSS AND OF OTHER COMPREHENSIVE INCOME

Item	Specification	For period of 3 months ended 30 September 2021	For period of 9 months ended 30 September 2021	For period of 3 months ended 30 September 2020	For period of 9 months ended 30 September 2020
I	Sales revenue	39,242	113,268	37,371	119,239
1.	Revenue from sale of products	37,657	100,502	32,207	102,022
2.	Revenue from sale of services	269	583	340	641
3.	Revenue from sale of goods and materials	1,316	12,183	4,824	16,576
II	Cost of goods sold	(31,178)	(91,654)	(29,285)	(90,164)
1.	Cost of products sold	(29,239)	(77,419)	(23,938)	(70,434)
2.	Cost of services sold	(239)	(624)	(204)	(563)
3.	Cost of goods and materials sold	(1,149)	(11,624)	(4,414)	(15,973)
4.	Result of agricultural production	(551)	(1,987)	(729)	(3,194)
III	Gross profit (loss) on sales (I-II)	8,064	21,614	8,086	29,075
1.	Cost of sales & marketing	(3,664)	(8,731)	(2,453)	(6,663)
2.	General and administrative expense	(5,199)	(18,199)	(6,107)	(18,099)
3.	Other operating income	22	1,638	655	1,198
4.	Other operating expenses	(51)	(186)	(68)	(443)
IV	Operating profit (loss)	(828)	(3,864)	113	5,068
1.	Financial expenses	(176)	(1,373)	(415)	(1,526)
2.	Financial income	146	305	355	1,059
V	Profit (loss) before tax	(858)	(4,932)	53	4,601
VI	Income tax	59	258	(39)	(1,369)
VII	Net profit (loss)	(799)	(4,674)	14	3,232
VIII	Other comprehensive income	-	7	-	(47)
1.	Effects of measurement of financial assets available for sale	-	-	-	-
2.	Revaluation of employee benefits liabilities	-	7	-	(47)
IX	Total comprehensive income, including	(799)	(4,667)	14	3,185
X	Net profit (loss) per share	(0.01)	(0.05)	0.00	0.03

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STATEMENT OF CHANGES IN EQUITY

Specification	Share capital	Share premium capital	Own shares	Revaluation capital	Retained earnings	Total equity
As at 01 January 2020	5,700	7,562		30,537	120,644	164,443
Changes in period from 01/01/2020 to 30/09/2020	-		-	(47)	(8,168)	(8,215)
Distribution of 2019 profit, including:						-
- increase in supplementary capital						-
- transactions with owners (dividend)					(11,400)	(11,400)
Net profit (loss) for the period					3,232	3,232
Other (net) comprehensive income for the financial year				(47)		(47)
As at 30 September 2020	5,700	7,562	-	30,490	112,476	156,228
Changes in 2020	-		-	(43)	(5,870)	(5,913)
Distribution of 2019 profit, including:						-
- increase in supplementary capital						-
- transactions with owners (dividend)					(11,400)	(11,400)
Net profit (loss) for the financial year					5,530	5,530
Other (net) comprehensive income for the financial year				(43)		(43)
As at 31 December 2020	5,700	7,562	-	30,494	114,774	158,530
As at 01 January 2021	5,700	7,562	-	30,494	114,774	158,530
Distribution of 2020 profit, including:						-
- increase in reserve capital (PLN 5,530k)						-
- transactions with owners (dividend)						-
Net profit (loss) for the period					(4,674)	(4,674)
Other (net) comprehensive income for the financial year				7		7
As at 30 September 2021	5,700	7,562	-	30,501	110,100	153,863

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INTERIM CONDENSED STATEMENT OF CASH FLOWS

Item	CASH FLOW STATEMENT	For period of 3 months ended 30 September 2021	For period of 9 months ended 30 September 2021	For period of 3 months ended 30 September 2020	For period of 9 months ended 30 September 2020
A.	Cash flow from operating activities – indirect method				
I	Profit (loss) before tax	(858)	(4,932)	53	4,601
II	Total adjustments	10,580	46,062	552	14,782
1.	Amortisation and depreciation	3,002	8,852	2,878	8,574
2.	Foreign exchange (gains) losses	(8)	2	71	
3.	Interest and profit sharing (dividends)	(45)	227	215	684
4.	(Profit) loss on investing activities	64	(183)	(206)	(627)
5.	Change in provisions	-	237	417	149
6.	Change in inventory	700	30,602	(12,481)	10,227
7.	Change in biological assets	1,507	(824)	1,340	(817)
8.	Change in receivables	(700)	(11,263)	2,491	(3,642)
9.	Change in short-term liabilities (net of bank and non-bank loans)	6,317	16,014	5,625	10,590
10.	Change in advance payments	-	-	1,426	(4,525)
11.	Income tax paid	-	-	(907)	(5,569)
12.	Change in subsidies	(25)	(74)	(24)	(73)
13.	Change in interest on non-bank loans	197	(6)	(47)	(121)
14.	Change in other financial assets	(427)		(56)	(174)
15.	Redemption of CO2 emission allowances	-	2,494		
16.	Other adjustments	(2)	(16)	(190)	106
III	Net cash flow from operating activities	9,722	41,130	605	19,383
B.	Cash flows from investing activities				
I	Cash inflows	1,441	9,531	4,070	5,553
1.	Disposal of intangible assets and property, plant and equipment	664	1,082	3,184	3,621
2.	Repayment of non-bank loans granted	777	6,792	886	1,932
3.	Bond proceeds	-	254	-	-
4.	Disposal of shares	-	1,403		
II	Outflows	112	6,791	13,247	17,338
1.	Purchase of intangible assets and property, plant and equipment	112	994	913	3,162
2.	Acquisition of shares	-	-	934	946
3.	Purchase of bonds	-	-	-	-
4.	Acquisition of property rights	-	2,197	-	630
5.	Non-bank loans granted	-	3,600	-	1,200
6.	Dividends and other payments to shareholders	-	-	11,400	11,400
III	Net cash flow from investing activities	1,329	2,740	(9,177)	(11,785)
C.	Cash flow from financing activities			-	
I	Cash inflows	(2,195)	6,306	11,336	11,616
1.	Bank and non-bank loans	(2,171)	5,076	11,199	11,199
2.	Additional payments received	(24)	1,230	137	417
II	Outflows	1,539	52,265	3,195	49,934
1.	Repayment of bank and non-bank loans	722	49,417	2,418	47,313
2.	Interest on bank and non-bank loans	98	499	97	684
3.	Payments under lease agreements	719	2,349	680	1,937
III	Net cash flow from financing activities (I-II)	(3,734)	(45,959)	8,141	(38,318)
D.	Total net cash flow (A.III+/-B.III+/-C.III)	7,317	(2,089)	(431)	(30,720)
E.	Balance-sheet change in cash, including:	7,317	(2,089)	(656)	(30,642)
F.	Cash at the beginning of period	2,073	11,479	4,145	34,434
G.	Cash at the end of period (F+/- D)	9,390	9,390	3,714	3,714
	<i>- including restricted cash</i>			<i>1,500</i>	<i>1,500</i>

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ADDITIONAL EXPLANATORY NOTES

1. Accounting principles

Data and figures for the Quarterly Financial Information for the period of 9 months ended 30 September 2021 were prepared using the same accounting rules that applied to the previous annual financial statements.

2. Changes in accounting principles and presentation and correction of errors

Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. did not correct any previous years' errors nor changed in this reporting period any accounting principles adopted previously, except for the application of new or amended standards and interpretations applicable to annual periods beginning on or after 1 January 2021.

3. Information on contingent liabilities or contingent assets

a) Contingent assets

"PEPEES" S.A.'s subsidiary GR Ponary Sp. z o.o. stood surety for its parent undertaking for the sum of PLN 15,795k as security for investment loan made by PKO Bank Polski S.A., which was designated for financing and refinancing the acquisition of 100% shares in the company Gospodarstwo Rolne Ponary Sp. z o.o.

b) Contingent liabilities

In the previous periods, the Company stood surety for loan granted by BOŚ S.A. to an affiliated company PPZ "BRONISŁAW" S.A. up to the amount of PLN 12,684k.

There might be liabilities arising from non-competition agreements after the termination of labour relationship. Such agreements are made with Members of the Management Board and certain employees. Should a labour relationship between the Company and such persons be terminated, the Company will be required to pay a compensation of approx. PLN 1,184k.

4. Information on Related Party Transactions

c) Transactions between "PEPEES" S.A., based in Łomża, and ZPZ "LUBLIN" Sp. z o.o., based in Lublin

In this reporting period, the Issuer purchased starch and grits from its subsidiary undertaking. The total amount of purchases at ZPZ "LUBLIN" Sp. z o.o. was PLN 1,610k. "PEPEES" S.A. sold starch, maltodextrin and glucose to ZPZ "LUBLIN" Sp. z o.o., the amount of which was PLN 74k, and leased a flake production line

– the monthly rent amounts to PLN 23.5k. The selling price is fixed on a cost-plus-basis or according to price lists applicable to entities which are not related parties.

The accounts payable as at the balance-sheet date was PLN 261k.

d) Transactions between "PEPEES" S.A., based in Łomża, and PPZ "BRONISŁAW" S.A.

- In the reporting period, the Parent Company purchased from its subsidiary PPZ "BRONISŁAW" S.A. potato starch in the amount of PLN 3,710k and amyllum in the amount of PLN 136k, as well as the warehousing service and leased a warehouse for the sum of PLN 45k. In the period of three quarters of 2021, the Issuer sold to its affiliated company potatoes for processing in the amount of PLN 564k, potato starch in the amount of PLN 621k, provided services relating to: the lease of a vehicle and warehousing in the amount of PLN 14k and disposed of fixed assets in the amount of PLN 190k.

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In the period of 9 months of 2021, the subsidiary paid the Parent Company interest on a loan and charges for sureties in the amount of PLN 133k.

- As at the balance-sheet date, the balance of outstanding loans was equal to PLN 3.3m, the balance of trade receivables amounted to PLN 1,997k, the balance of advances to PLN 571k and the balance of liabilities to PLN 15k.

e) Transactions between “PEPEES” S.A., based in Łomża, and Gospodarstwo Rolne Ponary Sp. z o.o.

- “PEPEES” S.A. sold services to its subsidiary GR Ponary Sp. z o.o. in the amount of PLN 8k. In the preceding periods, GR Ponary Sp. z o.o. stood surety for a loan obtained by its Parent Company. The charge for such surety in the amount of PLN 118k was imposed in the period of three quarters 2021. In addition, GR Ponary paid the Issuer loan interest in the amount of PLN 12k. The amount of the outstanding loan as at the balance-sheet date was PLN 550k, whereas of trade receivables – PLN 1k.

f) Transactions between “PEPEES” S.A., based in Łomża, and Pepees Inwestycje Sp. z o.o.

- Issuer sold services to its subsidiary Pepees Inwestycje Sp. z o.o. in the amount of PLN 3k.
- As at the balance-sheet date, the balance of trade receivables amounted to PLN 1k.

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D. ADDITIONAL INFORMATION

1. Changes in PEPEES Group's structure

- In the reporting period, the structure of PEPEES Group was changed. On 18/03/2021, the Issuer disposed of all its shares in the company CHP Energia. The shares were purchased by ORLEN Południe S.A., a subsidiary of PKN ORLEN S.A.
- Consequently, CHP Energia ceased to be a related party.
- Apart from the foregoing, the reporting period saw no other changes in the PEPEES Group's structure.

2. Summary of operations in the reporting period

- In the period of 9 months of 2021, PEPEES Group earned sales revenue in the amount of PLN 158,193k, which, compared to the corresponding period of the previous year, means a 3.3% decline (PLN 163,656k).
- An increase in the rate of costs of sales, compared to the previous year, by 7.3%, combined with a drop in the rate of sales revenue, resulted in a lower gross profit on sales in the amount of PLN 25,725k, which, in comparison to the corresponding period of the previous year, means a 36.8% decline.
- Compared to the comparative period, the cost of sales & marketing in the period of 9 months of 2021 grew by 35%, while the general and administrative expense dropped by 3.75%.
- The balance of other operating activities in the period of 9 months of 2021 stood at PLN 1,890k, whereas the comparative period saw the level of PLN 1,515k.
- On the other hand, the result of financing activities, understood as the balance of financial revenue less financial costs, from January to September 2021, was better than the corresponding item disclosed for the comparative period. The main reason behind this was the disposal of shares in CHP Energia.
- In view of the above, the end of Q3 2021 observed a gross loss of PLN (4,641k), which was contrary to the comparative period, when a gross profit of PLN 6,438k was made. Furthermore, the period from January to September 2021 saw a net loss of PLN (4,602k), with the corresponding period of 2020 ending with a net profit of PLN 4,467k.

3. Shareholders having, directly or indirectly through subsidiary undertakings, at least 5% of total votes at General Meeting of Parent Undertaking

- As at the date of the approval of this interim report, the Company's shareholding was as follows:

Shareholding	Number of shares [units]	Share in Capital %	Number of votes	Share in the overall number of votes at GM %
Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych*	27,759,032	29.22 %	6,356,799	6.69 %
Michał Skotnicki**	21,399,174	22.53%	21,399,174	22.53 %
Maksymilian Maciej Skotnicki**	20,703,282	21.79%	20,703,282	21.79 %
Newth Jonathan Reginald	7,995,200	8.42%	7,995,200	8.42 %
Richie Holding Ltd.	6,133,100	6.46%	6,133,100	6.46 %
Others	11,010,212	11.59 %	11,010,212	11.59 %

*Due to the failure to discharge notification duties relating to the acquisition of qualifying holding, as stipulated in the Act on Public Offering and Conditions for Introducing Financial Instruments into Organised Trading and on Public Companies of 29 July 2005, a fund company EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, which, according to information obtained by the Company, held 27,759,032 shares in the Company, forfeited and is not authorised to exercise voting rights attaching to 21,402,233 shares.

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Accordingly, the Management Board of the Company filed a statement of claim with the District Court in Białystok, seeking to establish the state of affairs in this respect. Epsilon FIZ AN has taken an opposing view, maintaining that it is entitled to the voting rights attaching to 27,759,032 shares representing 29.22% of the overall number of votes at the General Meeting. The President of the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) joined the proceedings, voicing their opinion on 24 July 2019. The Management Board are awaiting the final and non-appealable court decision. The Company informed of this case in current reports nos. 13/2019, 14-23/2019 and 30/2019.

***Mr Maksymilian Maciej Skotnicki and Mr Michał Skotnicki are the persons referred to in Article 87(4)(1) of the Act on Public Offering and Conditions for Introducing Financial Instruments into Organised Trading and on Public Companies of 29 July 2005, and in view of the foregoing, the aforesaid individuals hold 42,102,456 shares in aggregate, which accounts for 44.32% share in the share capital and 57.21% of authorised votes in the Company (taking into consideration the forfeiture of voting rights by EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych).*

- The Company did not receive any information on shareholding in the period from the date of publishing the previous report, i.e. 21 September 2021, to the date of publication hereof.

4. Summary of changes in Issuer's shares and rights to Issuer's shares held by persons responsible for management of and supervision over Issuer

- Mr Wojciech Faszczewski, acting in his capacity as President of Management Board, holds 701,000 Company's shares. The person mentioned above does not have any rights to the Company's shares.
- Mr Tomasz Rogala, acting in his capacity as Member of Management Board, and person responsible for supervision do have neither the Company's shares nor any rights thereto.
- In the period from the date of publishing the previous report, i.e. 21 September 2021, to the date of publication hereof, persons responsible for management and supervision did not enter into any transactions relating to the Company's shares or rights thereto.

5. Brief description of PEPEES Group's significant achievements or failures in period of three quarters of 2021 and list of most relevant events relating to such achievements or failures

- In the period of three quarters of 2021, there were no significant achievements or failures within PEPEES Group other than those presented herein.

6. Description of factors and events, particularly unusual ones, having significant impact on PEPEES Group's performance

- The outbreak of the coronavirus epidemic changed the situation in the global economy drastically. This issue was originally seen as a disturbance to the operation of global supply chains, however, when it exacerbated to become the pandemic, and countries started to introduce economic and social restrictions (the so-called lockdown), it was clear that the global economy would certainly suffer from a considerable decline in economic activity relating, among other things, to a dramatic plunge in consumption.

The epidemic has a bearing on the Group's operations. Main threats include:

- Reduced industrial production on the company's main export markets (including on the meat and finished products industry) has led to lower demand for native potato starch than before.
- We can see now a slowdown in the logistics sector, causing considerable delays in the supply of goods and the risk of late deliveries to customers. Also, a rise in transport costs has been reported, resulting from the requirement to meet rigorous epidemiological standards. Higher transport costs and a risk of late delivery may force customers present on global markets to gradually replace potato starch with starch-based raw materials of different botanical origins available on local markets (tapioca, corn, wheat, rice).
- An important factor was also the temporary suspension of the HoReCa (hotels, restaurants, catering) sector's operations and reduction in the manufacture of products for the industry (bakery, confectionery). The fact of "unfreezing" the economy does not mean that the sector will automatically return to the level of demand for PEPEES S.A.'s products observed in the period before the epidemic.

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- It can be expected that in a long-term perspective food manufacturers will impose new restrictions and formal requirements on raw material producers, which will entail additional costs of the company's operations.
- A general economic slowdown and huge production volumes of starch in Europe in the 2020 campaign.

The disposal of a subsidiary undertaking was undoubtedly an unusual event, which is discussed in detail in Note 27 to the consolidated financial statements. The disposal of shares in CHP Energia Sp. z o.o. is extremely advantageous, given the opportunity for optimising PEPEES Group's operations, while ensuring the long-term sales of potato pulp to a stable business partner.

7. Management board's opinion about projected profit/loss

- The Management Board of the Parent Company did not publish any forecast of separate and consolidated result for the year 2021.

8. Reference to significant pending proceedings before courts, relevant arbitration or public administration authority

On 25/06/2019, the Management Boards of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" S.A. filed a statement of claim, requesting the court to find that the Company's shareholder EPSILON Fundusz Inwestycyjny Zamknięty Aktywów, which, according to information obtained by the Company, holds 27,714,832 shares, forfeited and is not authorised to execute the voting right attaching to 21,402,233 shares by reason of the breach of obligation to notify of the acquisition of qualifying holding pursuant to Article 89(1)(1) of the Act on Public Offering and Conditions for Introducing Financial Instruments into Organised Trading System and on Public Companies. Epsilon FIZ AN has taken an opposing view, maintaining that it is entitled to the voting rights attaching to 27.714.832 shares representing 29.17% of the overall number of votes at the General Meeting. The President of the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*) joined the proceedings, voicing their opinion on 24 July 2019. The Company informed of this case in current reports nos. 13/2019, 14-23/2019 and 30/2019.

As at the date of preparation of these financial statements, there are unsettled lawsuits brought by an investment fund company EPSILON Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych, based in Warsaw, against "PEPEES" S.A., in which the claimant:

- Requested that two resolutions on the appointment of Supervisory Board (SB) members, adopted by the General Meeting on 11 May 2018, be repealed or declared invalid and that the resolution on the distribution of 2017 profit be repealed. By the 26 October 2018 judgement, the Regional Court ruled that the resolutions on the appointment of two SB members should be declared invalid and dismissed the action in all other respects. Both parties appealed against the judgement. The Appellate Court in Białystok dismissed both appeals. EPSILON filed a cassation (last resort) appeal against that decision of the Appellate Court, which was considered by the Supreme Court on 21/11/2020;
- Requested that the court declare the invalidity of Resolutions Nos. 24-29, adopted by the Ordinary General Meeting on 28/06/2019, including Resolution No. 28 on amending the Articles of Association and granting the Company's Management Board authority to increase the share capital of the Company within the limits of the authorised share capital and giving the Management Board the permission to exclude (if necessary) the subscription rights of the existing shareholders of the Company, in full or in part, with the consent of the Company's Supervisory Board. Regional Court decided to stay the proceedings until the proceedings instituted by PEPEES against EPSILON to declare the forfeiture of voting rights have been closed by the non-appealable judgement;
- Requested that two resolutions on granting a vote of approval, adopted by the General Meeting on 21/04/2020, be repealed or declared invalid. The proceedings are pending before a trial court. Regional Court decided to stay the proceedings until the proceedings instituted

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by PEPEES against EPSILON to declare the forfeiture of voting rights have been closed by the non-appealable judgement;

- Requested that the following resolutions of the Ordinary General Meeting be declared invalid, or repealed (if necessary): Resolution No. 4 on the consideration and approval of the Company's financial statements for the period from 01/01/2020 to 21/12/2020, Resolution No. 9 on the allocation of the net profit made by Przedsiębiorstwo Przemysłu Spożywczego PEPEES S.A. for the financial year 2020, Resolution No. 10 on granting the President of the Company's Management Board a vote of approval for discharge of their duties for the financial year 2020, adopted by the General Meeting on 29 June 2021. The statement of claim was filed with District Court on 28 July 2021. The challenged resolutions were published in full in Current Report No. 8/2021.

In all other respects, there are no other significant pending court proceedings, proceedings before a proper arbitration authority or public administration authority relating to liabilities and debts of the Issuer.

Several court trials are currently held over the recovery of trade receivables, which were written down in full by the Company. Given the total amount of receivables, the said sums are negligible.

9. Information on Related Party Transactions

In the period covered by this report, the Parent Undertaking – Przedsiębiorstwo Przemysłu Spożywczego “PEPEES” S.A. entered into related party transactions, which were typical and resulted from ongoing operations carried on by “PEPEES” S.A. and its subsidiary undertakings. The transactions were made on arm's length conditions.

Commencing co-operation by the Group companies aims to increase the extent to which the resources possessed by the entities engaged in the transactions are utilised and to reduce the risks associated with operations carried on.

The allocation of risk and distribution of functions of the Group companies allow for lowering the costs of operations and effectively using funds raised. Related parties stand surety for liabilities and provide security for the payment thereof, which not only ensures the quicker performance of contracts, but may also contribute to the more efficient management of entities belonging to PEPEES Group.

10. Information on Surety and Guarantee

- As at the balance-sheet date, the sureties granted and received in the previous reporting periods are valid.

As at 30/09/2021, the Parent Undertaking “PEPEES” S.A. produced the following sureties:

- The agreement of 30 July 2018 setting out terms and conditions of security for the repayment of a bank loan, entered into between “PEPEES” S.A., based in Łomża, and PPZ Bronisław S.A. Pursuant to the agreement, “PEPEES” S.A. provided security for the repayment of an Investment Loan using the Funds from Foreign Lines of Credit, which was taken out by PPZ Bronisław S.A. The amount of the investment loan obtained by PPZ Bronisław S.A. is PLN 8,456k. “PEPEES” S.A. provided the security in the form of a notarial deed containing a declaration on the submission to enforcement up to the amount of PLN 12,684k. An amount equal to 1% is charged every month by PEPEES for the surety granted.
- As at 30/09/2021, the total amount of sureties or guarantees granted by PEPEES to PEPEES Group companies was equal to PLN 12,684k.

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- On account of the disposal of shares in CHP Energia to Orlen Południe, on 15/04/2021 the Issuer received a letter from Spółdzielczy Bank Rozwoju (SBR) dated 14/04/2021, in which the Bank informed that it:
- released PEPEES from liabilities arising from sureties for the bill of exchange in the total amount of PLN 18,234k, granted by the Company in previous years (on 09/06/2014 and 14/09/2017) to SBR as security for the repayment of loans made by the Bank to CHP Energia;
- released the deposit of funds of PLN 1.5m, provided on 22/09/2020 by PEPEES to SBR as security for the repayment of a loan made by the Bank to CHP Energia.
- In the reporting period, PEPEES did not produce any surety or provide any guarantee.

As at 30/09/2021, the Parent Undertaking "PEPEES" S.A. received the following sureties:

- A surety produced by an individual (a planter) on 28 December 2016 for the benefit of "PEPEES" S.A. for a loan the company granted to another individual, being the company's planted, in the amount of PLN 304k.
- The agreement of 12/12/2017 relating to a mortgage on real property of GR Ponary Sp. z o.o. in the amount of PLN 15,795k for the benefit of "PEPEES" S.A. as security for the repayment of a loan made to "PEPEES" S.A. by a bank PKO BP in the amount of PLN 10,530k for the period from 12/12/2017 to 30/06/2025. A fixed fee in the amount of PLN 13,162.50 was determined for the surety granted and received, which is charged on a monthly basis pursuant to an agreement setting out the terms and conditions of surety.
- In the reporting period and until the date of the preparation hereof, the PEPEES Group companies did not grant loans, sureties or guarantees other than those referred to above.

11. Other information deemed by the Group as relevant for assessment of its staffing, assets, financial standing and profit/loss and changes thereof and information relevant for assessing the Group's capability of fulfilling its obligations

In the period of three quarters of 2021, apart from the events that might be relevant for the assessment of the PEPEES Group's staffing, assets, financial standing and profit/loss and changes thereof and events relevant for assessing the Group's capability of fulfilling its obligations, which have been described in this report, no other events were reported.

12. Factors which in the Issuer's and the Group's opinion will affect their performance at least in the perspective of the next quarter

In the next quarter, the Issuer's and the Group's performance will be significantly affected by the following factors:

- The coronavirus pandemic;
- The quantity and value of potatoes purchased – the basic raw material used for production;
- The prices of starch on the Polish and global market;
- Sales volume and margin achieved;
- Foreign exchange rates – the Group is an exporter;
- Reference percentage rates – the Group has taken out bank loans whose interest is based on the WIBOR.

The Group's operations are based mainly on the national raw material, supplied by Polish farmers, therefore the pandemic will not affect deliveries. Over the next quarter of 2021, PEPEES Group

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will perform contracts made and carry on operating activity which is the Group's core business, including production, trade and service activities.

13. Approval of Consolidated Quarterly Report of PEPEES Group for period of 9 months ended 30 September 2021

This Consolidated Quarterly Report of PEPEES Group for period of 9 months ended 30 September was approved for publication by the Management Board of Przedsiębiorstwo Przemysłu Spożywczego "PEPEES" Spółka Akcyjna (public limited company) in Łomża on 16 November 2021.

SIGNATURES OF PARENT UNDERTAKING'S MANAGEMENT BOARD MEMBERS

President of Management Board – Wojciech Faszczeński



Signed by:

Wojciech Faszczeński
Przedsiębiorstwo
Przemysłu
Spożywczego
"PEPEES" S.A.

Date: 15/11/2021 12:23

Member of Management Board – Tomasz Krzysztof Rogala



Signed by:

Tomasz Krzysztof Rogala
Przedsiębiorstwo Przemysłu
Spożywczego "PEPEES" S.A.

Date: 15/11/2021 11:01

SIGNATURE OF PERSON PREPARING THE REPORT

Chief Accountant – Wiesława Załuska



Signed by:

Wiesława Załuska

Date: 15/11/2021 09:11